

# Fight to Remove Blight

## Illinois Housing Development Authority

Legislative Advocacy: State Advocacy

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### ***Introduction***

A Federal Reserve study found that vacant and abandoned properties threaten the very sustainability of communities. Vacant properties lead to community deterioration and reduce the values of nearby homes. For example, a home that is simply foreclosed, but not vacant, lowers neighboring property values by up to 3.9 percent. However, if a home is foreclosed, tax delinquent and vacant, it can lower neighboring property values by nearly two and a half times that amount. At the same time, abandoned properties diminish the odds of future investment and create significant direct costs for the local governments tasked with securing, maintaining or demolishing the structures.

The elimination and greening of blighted and abandoned properties generate real returns for both local governments and neighbors near the unit. A study conducted in Cleveland found that for every \$1 spent on demolition, there was a return of over \$13 in value for nearby properties in high functioning markets and a decline in mortgage foreclosure of nearly 3%.

The Illinois Housing Development Authority (“IHDA”) administers three programs to assist counties, municipalities and land banks in eliminating blighted and abandoned properties. However, many of these program grantees have consistently incurred barriers that hamper their efforts to turn vacant and blighted properties into assets. Specifically, they have found that current certain Illinois statutes are too onerous, vague or ineffective, limiting their ability to rebuild distressed communities no matter how great the need.

To cut through the legal red tape, IHDA has spent the past year working with stakeholders across the state to draft language to amend Illinois laws related to the acquisition, rehabilitation and eventual re-use of abandoned properties, clearing the way for hard hit communities as they work to stabilize and revitalize themselves.

### ***Need***

Lower foreclosure rates today do not negate the vacancies and blight that resulted from the housing crisis. In Illinois, there were 267,000 completed foreclosures from 2007 to 2017, according to CoreLogic, with 12,400 households losing their homes in 2016 alone. This has led to over 500,000+ vacant, single-family homes in Illinois, 18.4% greater than the U.S. average.

Homes that have been vacant for a long time tend to fall into severe disrepair, and such physical blight can invite more property crime. In fact, the Federal Reserve has found that counties that experience a large increase in the number of long-term vacant homes tend to see an increase in burglary in the following year. This correlation holds even after controlling for other county characteristics, such as changes in unemployment, changes in population and changes in violent crime.

The elimination and greening of these blighted properties generates real returns for local governments and neighbors, and IHDA administers several revitalization programs that give municipalities the critical tools and resources they need to address local blight. However, as our grantees got to work, they encountered timing and legal barriers built into municipal, building and tax codes that prevented these programs from making the progress IHDA felt was achievable. IHDA knew recovery was possible, but it would require legislative change at the state level to pave the way.

### ***Legislative Quagmire***

At this time last year, Illinois was home to a divided government overcoming a budget impasse that lasted over 700 days. There was strife wherein even bipartisan legislation generally failed to make it to the Governor's desk. Getting a bill through the Capitol outright was not an option. With the current climate and lack of session days remaining, IHDA had to explore alternative options to begin the process of change.

After consultation with elected officials, it was determined the creation of a task force, which only required a simple resolution, would be the first step in enacting meaningful legislation down the road. While not a permanent, binding legislative fix, it was a step forward.

### ***Community Revitalization Task Force***

On May 31, 2018, the Illinois State Senate adopted Senate Resolution 1786, which tasked IHDA with the creation of the Illinois Community Revitalization Task Force. The Task Force was a platform that brought together legislators, housing service providers, municipal governments and others to discuss how local governments and land banks could overcome barriers in the removal of blighted properties, and ultimately develop policy solutions to address those barriers. IHDA wanted to present a real world understanding of the "on-the-ground" issues that are at stake regarding blight housing and how people and communities continue to be affected by it.

The Task Force consisted of elected officials, representatives from fire and police departments, land banks, municipal leagues and other organizations. The Task Force met four times throughout the summer and fall of 2018, during which it was able to pinpoint specific changes to Illinois Code that would serve to ease the barriers that stalled the revitalization of abandoned housing units.

Specifically, the Task Force looked to amend and modify the following statutes:

- Illinois Municipal Code (65 ILCS/5/11-31-1)
- Illinois Criminal Code (720 ILCS 5/12-5.1a)
- Local Government Property Transfer Act (50 ILCS 605)
- Modifications to the Illinois Property Tax Code (35 ILCS 200)

These changes would work in conjunction to increase the efficacy of municipalities in their ability to intervene in the negative lifecycle of blighted properties. Changes included establishing consistent and appropriate definitions that qualify properties for abandonment, and increasing recoupable costs that municipalities expend on putting such properties into productive use. It is important to note that the Task Force took steps to ensure protections for homeowners remained in place, and that these changes did not increase a government's ability to improperly seize units.

With the mission of the Task Force accomplished by the end of 2018 and the next legislative session beginning in January 2019, introducing and passing this legislation was the next goal.

### ***Blight "Fix" Takes Shape***

With the swearing in of the 101<sup>st</sup> General Assembly and a new governor, IHDA quickly sought to introduce the draft language and supporting legislation and began lobbying members to support the bills. We utilized the Illinois Community Revitalization Task Force to serve as advocates in supporting and advancing three critical bills:

*HB3360 – Extends the funding mechanism for the Abandoned Properties Program (APP)*

- Created in 2013, APP provides grants to municipalities and counties for the maintenance or demolition of abandoned residential properties within their jurisdiction.
- APP is funded through a fee paid to local County Clerk's office by foreclosure plaintiffs. The fee is a sliding scale from \$50 to \$500 based on the number of annual foreclosure filings by plaintiff.
- The funding mechanism sunsets on January 1, 2020.

*SB2052/2097 – Enacts fixes to municipal and tax codes to foster blight elimination*

- Current law stipulates that a judicial deed must be issued to a municipality. This legislation grants units of local government (ULGs) the immediate right to deed blighted properties to a not-for-profit or land bank.
- Expedites the process for ULGs to demolish unsafe, dangerous and/or abandoned properties. This fixes a process that is too slow and expensive for many ULGs when trying to eliminate blighted properties.
- Clearly defines "immediate and continuing hazard" in the Illinois Municipal Code to include blighted properties. This bill helps aid the judicial branch when determining what constitutes blight for demolition and protecting homeowners.
- Allows for not-for-profits and land banks to receive tax-exempt status on blighted properties while they are in their possession. Many of these groups do not have funding to pay property taxes during the lien period.
- Current law allows not-for-profits the same opportunity to purchase abandoned properties. This bill grants ULGs and not-for-profits the ability to acquire the property prior to opening sale to general public and waives associated penalties.
- Vacancy is not clearly defined in Illinois Tax Code regarding whether or not there has to be a structure on the property. This bill provides a more concise definition for vacant, non-farm properties.

***Legislative Fixes for Revitalization***

As is typically the case, most legislation does not really move until the final weeks of session, which ends on Memorial Day. However, all three key blight bills have made it at least out of one chamber with strong overwhelming majorities.

- HB3360 passed out of the House on April 4 and is currently in committee in the Senate. It is expected to pass and be signed into law even with continued opposition from banking interests, preserving a critical funding mechanism that raises \$7 million annually to support the demolition and greening of abandoned residential properties throughout Illinois
- SB2052 and SB2097 passed the Senate unanimously and are currently in committees pending a hearing in the House. The legislation has no current opposition and is widely expected to pass and become law.

After over a year of planning and advocacy, the creation of a task force and multiple meetings with House and Senate members across Illinois, the final bills are being pushed through the Capitol in Springfield. In a process that typically takes three years to pass a bill, IHDA is on the verge of halving that number, which may not seem like much outside of Illinois; however, it is an impressive feat, and one that created real solutions to policy problems that had been a detriment to neighborhood stabilization in communities across the state.